

Message Text

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INFO AMEMBASSY BELGRADE

AMEMBASSY BUCHAREST

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ONTAGS: EGEN, HU

SUBJECT: HUNGARIAN ECONOMY -- OFFICIAL RESULTS FOR 1973

VIENNA FOR EWTC

1. SUMMARY: WEEKEND REPORT OF HUNGARIAN CENTRAL STATISTICAL OFFICE MADE OFFICIAL EARLIER PREDICTIONS OF ECONOMICALLY SUCCESSFUL 1973. STATISTICIANS REPORT IMPRESSIVE GAINS THROUGHOUT ALMOST ALL SECTORS OF ECONOMY, WITH PARTICULARLY HIGH GROWTH RATES REGISTERED FOR NATIONAL INCOME, INDUSTRY PRODUCTION, AGRICULTURAL PRODUCTION, AND PER CAPITA REAL INCOME. STATISTICAL PICTURE REVEALS FEW WEAK SPOTS; INCREASES IN INVESTMENTS, CONSUMPTION, AND PRODUCTIVITY IN CONSTRUCTION INDUSTRY

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FAILED TO MEET PLANNED TARGETS; NUMBER OF INCOMPLETE

INVESTMENTS JUMPED BY ABOUT 9 PERCENT AND HUNGARY FOUND ITSELF RUNNING AN UNWANTED TRADE SURPLUS WITH ITS CEMA PARTNERS. HOWEVER, THESE ARE SEEN TO BE RELATIVELY SMALL PROBLEMS AND DO NOT CLOUD CONSENSUS THAT ECONOMY TURNED IN A STRONG BALANCED PERFORMANCE IN 1973. END SUMMARY.

2. STATISTICAL OFFICE NOTES THAT IN 1973 NATIONAL INCOME GREW BY 6.5 - 7 PERCENT INSTEAD OF PLANNED 4 - 5 PERCENT TO 350-360 BILLION FORINTS OR 35,000 FORINTS PER CAPITA. INDUSTRY PRODUCED 150 BILLION FORINTS OF NATIONAL INCOME WHILE AGRICULTURE AND BUILDING TRADE ACCOUNTED FOR 60 BILLION AND 42 - 43 BILLION, RESPECTIVELY. INDUSTRIAL PRODUCTION JUMPED 7.2 PERCENT (PLAN 5-5 - 6 PERCENT); WITH 82 PERCENT OF THIS COMING FROM INCREASED PRODUCTIVITY AND 18 PERCENT FROM SMALL 1.3 PERCENT RISE IN NUMBER OF INDUSTRIAL WORKERS. AGRICULTURAL OUTPUT REGISTERED A GAIN OF 5 PERCENT (PLANNED 1 PERCENT) WITH ALL OF THIS RISE COMING FROM PRODUCTIVITY INCREASES SINCE NUMBER OF AGRICULTURAL WORKERS DECLINED 5 PERCENT. WHEAT, CORN AND WINE PRODUCTION WERE PRINCIPAL REASONS BEHIND AGRICULTURE'S SUCCESSFUL YEAR. WHEAT PRODUCTION TOTALED 4.5 MILLION TONS (1972; 4.1) CORN 5.9 MILLION TONS (1972; 5.5) AND WINE 6.1 MILLION HECTOLITERS (1972; 5.0).

3. IN INDUSTRY ALL BRANCHES EXCEEDED PLANNED GOALS WITH EXCEPTION OF MACHINERY. INCREASES WERE AS FOLLOWS: PLANS GOALS BRACKETED - LIGHT INDUSTRY 10.8 PERCENT (5.5), CHEMICAL 10.9 PERCENT (10.1), ELECTRIC ENERGY 9.0 PERCENT (8.1), METALURGY 7.0 PERCENT (5.3), BUILDING MATERIALS 6.7 PERCENT (4.5), MINING 6.6 PERCENT (5.0), FOOD INDUSTRY 4.6 PERCENT (3.7), AND MACHINERY 5.6 PERCENT (6.5). TO MEET INCREASED DEMANDS FOR ENERGY,

DOMESTIC NATURAL GAS PRODUCTION WAS RAISED 18 PERCENT (4.8 BILLION M),

OIL IMPORTS 8 PERCENT, DOMESTIC COAL PRODUCTION 4 PERCENT (26.8 MILLION TONS), AND DOMESTIC OIL PRODUCTION 1 PERCENT (2 MILLION TONS).

4. TOTAL OF 106.4 BILLION FORINTS OF INVESTMENTS SIGNIFICANTLY SMALLER THAN 1973 TARGET FIGURE OF 113 BILLION. OF THIS SUM 40 BILLION WENT FOR INDUSTRIAL DEVELOPMENT AND 20 UNCLASSIFIED

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BILLION (A DECLINE FROM 1972) FOR AGRICULTURE, FORESTRY AND WATER RESOURCES. ONE PROBLEM WHICH EVIDENTLY CONTINUES TO PLAGUE PLANNERS IS THAT OF INCOMPLETE INVESTMENTS WHICH ROSE BY 8 BILLION TO BRING TOTAL OF INCOMPLETE INVESTMENTS TO 100 BILLION. STATISTICAL OFFICE NOTES WITH A DISAPPROVING EYE FAILURE TO COMPLETE DEVELOPMENT OF MOHACS CELLULOSE COMPLEX AND THE FACT THAT A NUMBER OF OTHER INDUSTRIAL PROJECTS SCHEDULED FOR COMPLETION IN 1973

ARE NOW ONLY IN PARTIAL OPERATION.

5. FOREIGN TRADE RESULTS SHOW THAT 66 PERCENT OF HUNGARY'S FOREIGN TRADE IN 1966 CARRIED THE OTHER COMMUNIST COUNTRIES, 63 PERCENT WITHIN CEMA, AND 34 PERCENT WITH ASR ALONE. WHILE BOTH

IMPORT AND EXPORTS FROM SOCIALIST PARTNERS HAD BEEN SCHEDULED TO RISE AT RATE OF 7 PERCENT IN 1973, HUNGARY ACTUALLY EXPORTED 15 PERCENT MORE TO SOCIALIST WORLD WHILE INCREASING IMPORTS ONLY 5 PERCENT. THIS UNDESIRE TRADE SURPLUS RESULTED FROM AN OVER FULFILLMENT OF EXPORT PLANS AND FAILURE BY HUNGARIAN ENTERPRISES TO BUY SUFFICIENT QUANTITIES OF MACHINERY FROM CEMA PARTNERS. WITH REST OF WORLD A MOST WELCOME AND APPARENTLY UNPLANNED TRADE SURPLUS WAS ACHIEVED, FIRST SINCE 1969.

6. CONSUMER PRICES IN 1973 INCREASED ON AVERAGE OF 3.5 PERCENT WITH BIGGEST JUMP COMING FOR FREE PRICED FOOD ITEMS SUCH AS VEGETABLES (9 PERCENT) AND POTATOES (6 PERCENT). WAGES, IN SOCIALIST INDUSTRY, WENT UP 10.8 PERCENT TO AVERAGE MONTHLY SALARY OF 2448 FORINTS AND IN CONSTRUCTION 8 PERCENT TO 2607 FORINTS.

7. COMMENT. THERE SEEMS TO BE LITTLE DISAGREEMENT IN HUNGARY THAT 1973 WAS A SUCCESSFUL YEAR FOR ECONOMY AS A WHOLE. PARTICULARLY SINGLED OUT FOR PRAISE BY LOCAL COMMENTATORS IS "BALANCED DEVELOPMENT", CREDITED IN LARGE PART TO INCREASE IN CENTRAL CONTROLS OVER INVESTMENT ENACTED IN WAKE OF 1970-71 "SPENDING SPREE" BY ENTERPRISES USING DECISION-MAKING POWER OVER INVESTMENTS GIVEN TO THEM BY NEM. HOWEVER, CONTINUED GROWTH OF INCOMPLETE INVESTMENTS AND A NUMBER OF NEWSPAPER ARTICLES CITING NEED FOR MORE CAREFUL GOVERNMENTAL STUDY OF INVESTMENT PROJECTS PRIOR TO FINAL APPROVAL TO INSURE EARLIER AND UNCLASSIFIED

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LARGER RETURNS AND FEWER COST OVERRUNS SUGGEST THAT INVESTMENT INEFFICIENCY CONTINUES TO BE PROBLEM. IT IS ALSO CLEAR THAT HUNGARY WILL HAVE TO INCREASE IMPORTS, PARTICULARLY OF MACHINERY, FROM ITS CEMA PARTNERS TO ELIMINATE SIZABLE SURPLUSES ON BILATERAL CLEARING ACCOUNTS. SMALL CAMPAIGN STRESSING NEED TO IMPORT MORE FROM CEMA TO ELIMINATE THIS SURPLUS HAS RECENTLY BEGUN. PEDERSEN

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